

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-BANK)

STAFF REPORT

ISSUE: Staff recommends that Board of Directors (Board) appoint Macias, Gini and O'Connell LLP (Macias) to act as I-Bank's auditor for fiscal years 2008-2009, 2009-2010 and 2010-2011, and that the Board authorize a contract for auditing services with Macias for this period and for a further period of two years if approved in the future by the Board.

BACKGROUND: I-Bank has issued three series of revenue bonds totaling \$152.5 million since March 2004 to provide additional funding for the Infrastructure State Revolving Fund (ISRF) Program (ISRF Program Bonds). The most recent issue was in September, 2008. I-Bank must issue audited financial statements in connection with the sale of its ISRF Program Bonds for two reasons. First, the disclosure documents distributed in relation to the sale and issuance of the ISRF Program Bonds must include information about the financial status of the ISRF Program. Second, continuing disclosure agreements entered into by the I-Bank in conjunction with the issuance of each series of ISRF Program Bonds require the I-Bank to provide annual audited financial statements to the ISRF Program Bond trustee and to each Nationally Recognized Municipal Securities Information Repository so long as the ISRF Program Bonds are outstanding.

Gilbert Associates, Inc. (Gilbert) was selected as I-Bank's first audit firm in 2004, and served in that capacity for five years. I-Bank staff has been satisfied with the service it has received from Gilbert during this time. The I-Bank's contract with Gilbert expired on June 30, 2008.

On March 5, 2009, I-Bank staff issued a Request for Qualifications (RFQ) seeking proposals from auditing firms interested in providing bond-related auditing services to the I-Bank. This RFQ was distributed directly to 41 firms and posted to the State of California Contracts Register. The following three firms responded to the RFQ by the April 6, 2009, RFQ due date: Macias, Gilbert; and Maze & Associates (Maze).

The three responses received were reviewed by a committee consisting of the Assistant Executive Director and two I-Bank managers familiar with the auditing requirements related to the ISRF Program Bonds or having state and private sector accounting expertise. Based upon the selection process criteria of the RFQ, which were: the firm's qualifications and experience; the competitiveness of the proposed fees; and, the overall quality of the written response to the RFQ, the review committee selected Macias.

Firm Qualifications and Experience. Macias was founded in 1987 as an LLP and has one of the largest public sector accounting practices in California. They have offices located in Sacramento. The firm has 6 partners, 6 directors, 1 senior manager, 11

managers and 9 senior associates and a staff of 50 full-time professionals in the Sacramento office available to perform the scope of services in the RFQ. Macias has proposed the assignment of highly qualified staff to the I-Bank with expertise in auditing State government entities.

According to the proposal, Macias has audited the financial statements of 6 State entities including the California Public Employment Retirement System (CalPERS) and the California State Teachers Retirement System (CalSTRS) in the last 3 years. In addition to its experience auditing State entities, Macias has audited in the last three years the financial statements of numerous cities and counties in California including but not limited to the County of Sonoma, Cities of Sacramento, Stockton, San Diego and San Jose among others. All of these municipal entities were identified as having issued revenue and/or general obligation bonds, certificates of participation or other types of bonds.

Competitive Fees. Macias' fees for performing the scope of services outlined in the RFQ will be based on a "per report" fixed amount for each year's audit. The total all-inclusive fee will not exceed the following:

	Fiscal Year 2008/2009	Fiscal Year 2009/2010	Fiscal Year 2010/2011	Total
Audit	\$50,000	\$52,000	\$54,100	
Management Letter	\$ 4,000	\$ 4,160	\$ 4,330	
Total Fee Proposal	\$54,000	\$56,160	\$58,430	\$168,591

Macias' fees were lower than the other two firms that responded to the RFQ. Macias's fees will be paid from accounts held by the trustee for the ISRF Program Bonds and other accounts pertaining to the ISRF Program Bonds.

Overall Quality of Written Response. The Macias firm's written response was comparable in overall quality to those of the other responding firms.

RECOMMENDATION: Staff recommends approval of Resolution 09-17 appointing Macias, Gini and O'Connell LLP to act as the I-Bank's auditor for fiscal years 2008-2009, 2009-2010 and 2010-2011, and authorizing the Executive Director to execute a contract on behalf of the I-Bank for auditing services with Macias for this period that is consistent with the terms of this report.